

## Message Text

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DIA WASHDC

USMISSION NATO

USCINCEUR VAIHINGEN GERMANY

AMCONSUL NAPLES

AMCONSUL MILAN

USDODOCOUTH

SHAPEUSNR

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USDOCOSOUTH FOR INTAF

SHAPEUSNR FOR POLAD

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: ITALIANS REACT TO SCHMIDT'S STATEMENT

1. FROM LEFT TO RIGHT ACROSS ITALIAN POLITICAL SPECTRUM, PUBLIC REACTIONS TO SCHMIDT'S ELABORATION OF THE POLITICAL CONDITIONS AGREED AT PUERTO RICO FOR ECONOMIC ASSISTANCE TO ITALY HAVE NOT SURPRISINGLY BEEN EXCLUSIVELY UNFAVORABLE. FACT THAT ITALIAN REPRESENTATIVES WERE NOT PRESENT FOR THE SUMMIT DISCUSSION ON ITALY IS SEEN AS PARTICULARLY GALLING. EVEN THE DC HEADLINED ITS COMMENTARY IN IL POPOLO AS "SCHMIDT'S BLACK-CONFIDENTIAL

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MAIL". MANY COMMENTATORS MADE THE ADDITIONAL POINT THAT

SCHMIDT'S STATEMENT CAN ONLY MAKE MORE DIFFICULT ANDREOTTI'S TASK OF FORMING A NEW GOVERNMENT.

2. ITALIANS HAVE BEEN QUICK TO POINT OUT AND LAMENT THAT DECISIONS ON ITALY WERE TAKEN AT DORADO BEACH IN ABSENCE OF ITALIAN REPRESENTATIVES. THE PALAZZO CHIGI'S UNOFFICIAL STATEMENT, RELEASED THROUGH ANSA JULY 18, STRESSED THIS POINT, ADDING THAT "IT IS TO BE REGRETTED WHENEVER APPRAISALS MADE BY OTHER GOVERNMENTS ON THE ITALIAN POLITICAL SITUATION ARE EXPRESSED IN AN INAPPROPRIATE MANNER." THE COMMUNISTS HAVE RESPONDED PROMPTLY BY PLAYING THE ISSUE IN A WAY CALCULATED TO EMBARRASS THE DC AND TO PORTRAY THEMSELVES AS THE DEFENDERS OF ITALIAN HONOR AND INDEPENDENCE. IN A RADIO INTERVIEW, THE INFLUENTIAL PCI LEADER COSSUTTA EXPRESSED "SARCOSANCT INDIGNATION OF THE ITALIAN'S SHAME" THAT MORO AND THE DC LEADERSHIP DID NOT DEFEND THE "DIGNITY OF THE NATION", AND DREW THE CONCLUSION THAT ITALY NEEDS A NEW GOVERNMENT. SOCIALIST COMMENTARY MIRRORS THE PCI LINE BY CHARGING MORO AND RUMOR FOR FAILING TO DEFEND ITALIAN HONOR.

3. "BLACKMAIL" IS THE WORD USED BY EXPONENTS OF ALL POLITICAL PERSUASIONS TO CHARACTERIZE THE PUERTO RICO POLICY. UNITA HEADED THE STORY "GROSS BLACKMAIL," PARALLELED IN THE DC ORGAN IL POPOLO WITH: "SCHMIDT'S BLACKMAIL". IN A WIDELY REPORTED STATEMENT, FORMER JUSTICE MINISTER MARIO ZAGARI (SOCIALIST) CALLED SUCH "INTERVENTION" EVEN MORE INADMISSABLE NOW THAT ELECTIONS ARE OVER, "WHEN THE PROBLEM IS (TO FACILITATE) THE COMMON ASSUMPTION OF RESPONSIBILITY BY ALL THOSE ON THE LEFT TO RESOLVE THE COUNTRY'S PROBLEMS. NO ONE CAN PROPOSE POLITICAL DISCRIMINATION, FOR SUCH LOANS WOULD HAVE NO VALIDITY FOR US AND WOULD THEREFORE HAVE TO BE REJECTED." IN A SOMEWHAT MORE SORROWFUL TONE, DEPUTY ANGELO SANZA (DC, LEFT) STATED: "WE REFUSE ECONOMIC BLACKMAIL FROM WHATEVER SOURCE IT COMES...WE INVITE OTHER WESTERN COUNTRIES, ESPECIALLY THE EUROPEAN ONES, TO LOOK AFTER THEIR OWN PROBLEMS AND TO HAVE FAITH IN THE SENSE OF RESPONSIBILITY AND EQUILIBRIUM OF THE ITALIAN POLITICAL CLASS OF WHICH ANDREOTTI IS CERTAINLY NOT THE LAST NOR THE LEAST WELL-EQUIPPED."

4. THE DC ALSO QUESTIONED SCHMIDT'S MOTIVATIONS, POINTING OUT  
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THAT THE GERMAN CHANCELLOR IS "A MAN WHO DOESN'T FEAR CONTRADICTIONS" (IL POPOLO). HERE IS THE VERY SAME SCHMIDT, THE EDITORIAL STRESSED, WHO VOICED SUPPORT FOR THE SOCIALISTS (WHO FAVOR PCI ENTRY) JUST PRIOR TO THE JUNE 20 ELECTIONS, AND WHO AT AN EARLIER POINT DECLARED THAT THE FORMATION OF AN ITALIAN GOVERNMENT IS AN INTERNAL MATTER. "NOTWITHSTANDING THESE CONTRADICTIONS," THE ACCOUNT CONTINUED, "SCHMIDT'S BLACKMAIL IS COMPLETELY SUPERFLUOUS," AND "IN ANY CASE THE

ITALIAN PEOPLE...CAN LOOK AFTER THEMSELVES." DC CHAMBER OF DEPUTIES LEADER PICCOLI OPINED THAT SCHMIDT'S DECLARATION WAS MOTIVATED BY INTERNAL FRG POLITICS IN DESIRING TO PORTRAY HIMSELF TO THE GERMAN ELECTORATE AS THE FIRMEST ANTI-COMMUNIST AND THEREBY EMBARRASS THE GERMAN DC ON THE ITALIAN QUESTION.

5. PICCOLI, THE ONLY MAJOR DC LEADER TO COMMENT PUBLICLY SO FAR, STRESSED TWO OTHER POINTS: FIRSTLY, THE SUBSTANTIVE ISSUE OF THE NATURE OF THE RELATIONSHIP BETWEEN FREE AND SOV-REIGN ALLIES GIVEN A SITUATION WHEREBY ITALY WAS DISCUSSED PRIVATELY AT A SUMMIT AT WHICH ITALIAN REPRESENTATIVES WERE PRESENT. SECONDLY, THE NEED FOR THE WESTERN ALLIES TO HAVE CONFIDENCE IN ITALY'S ABILITY TO RESOLVE ITS DIFFICULT INTERNAL PROBLEMS ON ITS OWN. "THE ITALIAN PEOPLE 30 YEARS AGO CHOSE THE WEST AND HAVE REMAINED FAITHFUL TO IT...A SUBSTANTIAL COHERENCE BETWEEN ITS INTERNATIONAL AND DOMESTIC POLICY HAS NEVER BEEN ABSENT. THIS HAS OCCURED, NOT THROUGH FOREIGN REMINDERS OR IMPOSITION, BUT BY CONVICTION AND POPULAR DECISIONS..." "WE HAVE ALSO ALWAYS CONSISTENTLY RESOLVED THE PROBLEM OF THE PRESENCE OF THE COMMUNISTS OURSELVES, AND WE MUST DO IT OURSELVES. THE POSITION OF OUR PARTY (TOWARD THE PCI) IS WELL-KNOWN."

6. AS HEADLINED IN THE CORRIERE DELLA SERA, "SCHMIDT'S SALLY AGAINST THE PCI INSERTS ITSELF IN ANDREOTTI'S DIFFICULT NEGOTIATIONS," MANY COMMENTATORS DWELL ON NEGATIVE EFFECT ON ANDREOTTI'S EFFORTS TO FORM A CABINET. DC DEPUTY SANZA EXPRESSED THIS THEME: "THE PROVOCATIVE INITIATIVE OF THE GERMAN CHANCELLOR SCHMIDT IS CLEARLY INTENDED TO CONDITION THE FORMATION OF STRUCTURE OF THE NEW GOVERNMENT. ANDREOTTI ALREADY HAS DIFFICULT PROBLEMS TO CONFRONT, THE INOPPORTUNE INTERVENTION BY SCHMIDT TENDS TO CREATE NEW DIFFICULTIES... (ESPECIALLY BECAUSE) PART OF THE GOVERNMENTAL AGREEMENT MUST BE BASED

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UPON A BROAD AGREEMENT CONCERNING ECONOMIC RELATIONS."

7. ALL PAPERS PROVIDED FULL ACCOUNT OF SCHMIDT STATEMENT AND SUBSEQUENT WHITE HOUSE PRESS CONFIRMATION. HOWEVER, UGO STILLE IN CORRIERE DELLA SERA'S JULY 19 EDITION FURNISHED ADDITIONAL CLARIFICATION BASED ON NY TIMES STORY OUTLINING "POLITICAL CONDITIONS" OF THE "KISSINGER FORMULA" WHICH CITED DEPARTMENT SOURCES. ACCORDING TO THIS STORY, THERE WAS CLEAR AGREEMENT THAT THERE WOULD BE NO ECONOMIC ASSISTANCE TO ITALY IF NEW ITALIAN GOVERNMENT SHOULD INCLUDE PCI REPRESENTATIVES. HOWEVER, OTHER FORMULAS OF PCI INVOLVEMENT WOULD NOT NECESSARILY PRECLUDE ECONOMIC ASSISTANCE. ACCEPTABLE TYPES OF PCI INVOLVEMENT COULD INCLUDE (A) CONSULTATIONS BETWEEN THE DC AND PCI FOR THE FORMATION OF THE GOVERNMENT; (B) COMMUNIST AGREEMENT ON CERTAIN POINTS OF THE GOVERNMENT'S PROGRAM PARTICU-

LARLY IN THE ECONOMIC AREA; AND (C) ASSIGNMENT TO COMMUNISTS OF HIGH LEGISLATIVE OFFICES SUCH AS THE PRESIDENCY OF THE CHAMBER AND CERTAIN COMMITTEE CHAIRMANSHIPS. UGO STILLE REPORTED THAT THE TIMES ARTICLE ALSO CITED THE POSSIBILITY OF SOME COMMUNISTS BEING INCLUDED IN THE GOVERNMENT APPARATUS BUT AT A LEVEL BELOW THAT OF THE CABINET. THIS POINT IS HOW- EVER DESCRIBED AS UNCERTAIN. STILLE CONCLUDES THAT APART FROM THE FOREGOING "POLITICAL CONDITIONS" IT REMAINS ESSENTIAL THAT THE NEW GOVERNMENT UNDERTAKE AN EFFECTIVE PROGRAM OF ECONOMIC REFORM AS A PRIOR CONDITION TO ANY ASSISTANCE.

8. COMMENT: SCHMIDT STATEMENT AND NY TIMES STORY HAS PROVIDED PCI WITH MOST EFFECTIVE WEAPON TO EMBARRASS THE DC. STORY IS CITED BY SOME AS PROOF THAT MORO AND RUMOR SUPINELY ACCEPTED THE "INSULT" TO ITALIAN HONOR AND HAVE NOW LIED ABOUT IT. VOLPE

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